UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/RES/54/197
18 January 2000

Fifty-fourth session
Agenda item 97 (*b*)

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

[*on the report of the Second Committee (A/54/585/Add.2)*]

54/197. Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries

The General Assembly,

Reaffirming its resolution 53/172 of 15 December 1998 on the financial crisis and its impact on growth and development, especially in the developing countries,

Taking note of the high-level regional meeting on the theme "Towards a stable and predictable international financial system and its relationship to social development", held at Mexico City from 5 to 7 September 1999, in collaboration with the Economic Commission for Latin America and the Caribbean, in order to contribute to the process launched by the General Assembly in its resolution 53/172,

Recognizing that the increasing globalization of financial markets and capital flows has presented Governments, the multilateral financial institutions and the international community at large with new challenges and opportunities for the mobilization of adequate and more stable resources for promoting economic development and social welfare,

Stressing the importance of the provision of adequate financial resources for the development of all countries, in particular developing countries, *inter alia*, through public and private financial flows, international trade, official development assistance and an adequate level of funding support for debt relief, in particular the agreement for an overall financing plan for the enhanced Heavily Indebted Poor Countries Debt Initiative, as well as mobilization of domestic resources, and that the comprehensive and integrated consideration of those issues should continue in the framework of the dialogue and collaboration between the United Nations system and the Bretton Woods institutions,

Deeply concerned at the overall declining trend in official development assistance, which is a significant external resource for financing development and an important source of support for the efforts of developing countries, in particular the least developed countries, to create an enabling environment for eradicating poverty and tackling basic social needs, especially where private capital flows may be either inadequate or unavailable,

Emphasizing the importance of finding a durable solution to the problem of developing countries in meeting their external debt and debt-servicing obligations in order to release resources for financing their development efforts, welcoming, in this context, the Cologne debt initiative launched in June 1999 and the recent decisions of the International Monetary Fund and the World Bank on the enhanced Heavily Indebted Poor Countries Debt Initiative, which should provide deeper, broader and faster relief, and in this regard stressing the need for fair, equitable and transparent burden-sharing among the international public creditor community and other donor countries,

Noting the establishment of credit contingency lines by the International Monetary Fund and the efforts to create and to strengthen the regional reserves in some regions,

Expressing the need for future multilateral trade negotiations to result, *inter alia*, in increased access to markets for goods and services that are of export interest to developing countries, in particular the least developed countries, as trade is an important source of financial resources for their development efforts,

Mindful of the need for the benefits of the increasing integration of global markets to be extended to all nations and peoples, in particular to developing countries, especially the least developed among them, noting that, while a number of developing countries have been able to take advantage of global ·ation of finance, not all of them have benefited from such flows, as they may be unavailable, inadequate or too concentrated to satisfy their needs, especially the least developed among them, and, therefore, noting the need to expand private capital flows while reducing the risks of volatility and to broaden access by developing countries to those flows,

Noting the desirability of having financial regulatory frameworks so that capital mobility may benefit developing economies rather than undermine their development efforts, and noting in particular that short-term speculative capital flows, owing to their highly volatile nature, can often have negative impacts on the long-term goals of developing countries,

Regretting that the recent financial crises led to a significant slowdown in the economic growth of many developing countries and other affected countries and had negative impacts in terms of social development, with the gravest impact on the most vulnerable, and in this context noting that, while some of the most visible effects of the crises are being overcome in some regions and sectors, continued action on a wide range of reforms needs to be taken so as to strengthen the international financial system and to adopt as well as to implement economic and legal frameworks, while reaffirming the need for continued efforts by individual economies to avoid the repetition of those crises,

Recognizing that the recent financial crises have exposed weaknesses in the international financial system, and underlining the urgent need to continue to work on a wide range of reforms for a strengthened and more stable international financial system with a view to enabling it to deal more effectively and in a timely manner with the new challenges of development in the context of global financial integration,

Emphasizing that the United Nations, in fulfilling its role in the promotion of development, in particular of developing countries, plays an important role in the international efforts to build up the necessary

international consensus on the continuation of a wide range of reforms needed for a strengthened and more stable international financial system that is responsive to the challenges of development, especially in the developing countries, and to the promotion of economic and social equity in the global economy,

1. *Takes note with appreciation* of the report of the Secretary-General,[1] and the note by the United Nations Conference on Trade and Development[2] on the financial crisis and its impact on growth and development, especially in the developing countries, the report of the Task Force of the Executive Committee on Economic and Social Affairs of the United Nations Secretariat entitled "Towards a new international financial architecture",[3] the *World Economic and Social Survey, 1999*[4] and the *Trade and Development Report, 1999*;[5]

2. *Emphasizes* the need to renew national, regional and international efforts to promote international financial stability and, to this end, to improve early warning, prevention and response capabilities for dealing with the emergence and spread of financial crises in a timely manner, taking a comprehensive and long-term perspective while remaining responsive to the challenges of development and the protection of the most vulnerable countries and social groups;

3. *Stresses* the importance of having an enabling international environment through strong cooperative efforts by all countries and institutions to promote global economic development, and to this end calls upon all countries, in particular major industrialized countries, which have significant weight in influencing world economic growth, to adopt and pursue coordinated policies conducive to world economic growth and international financial stability and the promotion of an external economic environment favourable to a widespread economic recovery, including the full recovery of crisis-affected countries;

4. *Recognizes* the importance of international financial stability, and in this context invites developed countries, in particular major industrialized countries, when formulating their macroeconomic policies, to take into account the priorities of growth and development, in particular of developing countries;

5. *Stresses* the importance at the national level of strong domestic institutions to promote the achievement of growth and development, *inter alia*, through sound macroeconomic policies and policies aimed at strengthening the regulatory and supervisory systems of the financial and banking sectors, including appropriate institutional arrangements in the countries of both origin and destination of international capital flows;

6. *Recognizes* the importance of accelerating the growth and development prospects of the least developed countries, which remain the poorest and most vulnerable of the international community, and calls upon development partners to carry on with their efforts to increase official development assistance and their efforts aimed at strengthening debt relief, improving market access and enhancing balance-of-payments support;

---

[1] A/54/471.

[2] A/54/512/Add.1.

[3] See www.un.org/esa/coordination/ecesa/eces99-1.htm.

[4] United Nations publication, Sales No. E.99.II.C.1.

[5] United Nations publication, Sales No. E.99.II.D.1.

7. *Stresses* the need for a continued and constructive dialogue, in the relevant institutions and forums, among developed and developing countries at the regional and subregional levels, among others, on the need for the international community to continue to work together in formulating approaches to promoting financial stability and on issues related to strengthening and reforming the international financial system, and in this context reiterates the need for broadening and strengthening the participation of developing countries in the international economic decision-making process in order to promote more efficient international financial institutions and arrangements in which all relevant interests can be effectively represented;

8. *Encourages* the deepening of the dialogue between the Economic and Social Council and the Bretton Woods institutions in order to promote the wide range of reforms needed in an international financial architecture that reflects the global interests of the international community, and in this regard recommends that their next high-level meeting give priority to the consideration of the modalities needed to achieve a strengthened and more stable international financial system responsive to the challenges of development, especially in the developing countries, and to the promotion of economic and social equity in the global economy;

9. *Emphasizes* that the international financial institutions, in providing policy advice and supporting adjustment programmes, should ensure that they are sensitive to the specific circumstances of concerned countries and to the special needs of developing countries and should work towards the best possible outcomes in terms of growth and development, including poverty eradication, *inter alia*, through the protection of effective social expenditure determined by each country in accordance with its national economic and social development strategies;

10. *Stresses* the need further to define the role and improve the capacities of the international, regional and subregional financial institutions with regard to the prevention, management and resolution in a timely and effective manner of international financial crises, encourages efforts to enhance the stabilizing role of regional and subregional financial institutions and arrangements in supporting the management of monetary and financial issues, in accordance with the mandate of each institution, and requests the regional commissions to provide their views on this matter to the General Assembly at its fifty-fifth session through their regular reports to the Economic and Social Council;

11. *Emphasizes* the need to develop further early warning capacities and modalities to prevent or, as the case may be, to take timely action to address the threat of financial crisis, and in this regard encourages the International Monetary Fund and other relevant international and regional institutions to continue their efforts to contribute to this process;

12. *Underscores* the need for the enhancement of worldwide financial stability, *inter alia*, through the provision to the international financial institutions, in particular the International Monetary Fund, of adequate resources to provide emergency financing in a timely manner to countries affected by financial crises;

13. *Stresses* that the opening of capital accounts must be carried out in an orderly, gradual and well-sequenced manner, at a pace that is in line with the strengthening of the ability of countries to cope with its consequences, underscores the crucial importance of solid domestic financial systems and of an effective prudential framework, invites the International Monetary Fund, the World Bank and relevant international regulatory bodies to contribute to this process, and in this context recognizes that all countries have autonomy in the management of capital accounts in accordance with their own national priorities and needs;

14. *Reaffirms* the need to strengthen international and national financial systems through more effective national, regional and international surveillance of both the public and private sectors, based, *inter alia*, on the improved availability and transparency of information, as appropriate, and possible additional regulatory and voluntary disclosure measures concerning financial market participants, including international institutional investors, in particular concerning highly leveraged operations, and in this context also reaffirms the importance of continuing to work in the relevant forums on questions related to surveillance, transparency and disclosure, regulation and supervision;

15. *Stresses* the importance of strengthened collaboration between the World Bank and the International Monetary Fund in specific areas where collaboration is needed, such as the financial sector, while recognizing the specific mandates of the two institutions, and also stresses the need for institutions dealing with financial crises to keep in mind the overall objective of facilitating long-term development;

16. *Calls* for the renewal of national, regional and international efforts to promote the greater involvement of the private sector in the prevention and resolution of financial crises, underscores in this context the importance of a more equitable distribution of the cost of adjustments between the public and private sectors and among debtors, creditors and investors, and requests the United Nations Conference on Trade and Development to provide information to the General Assembly at its fifty-fifth session about the work it has undertaken on this matter;

17. *Reiterates its call* upon the international community to pursue national, regional and international efforts to contribute to minimizing the negative impacts of excessive volatility of global financial flows, reiterates in this context the need to consider the establishment of regulatory frameworks for short-term capital flows and trade in currencies, and invites the International Monetary Fund and the relevant regulatory bodies to contribute to this process;

18. *Emphasizes* that it is important for sovereign risk assessments made by private sector agencies to be based on objective and transparent parameters, and in this regard invites the relevant national, regional and international regulatory bodies to contribute to the development of appropriate standards to ensure that risk-assessment agencies provide complete and accurate information on a timely and regular basis;

19. *Encourages* the continuing efforts of the World Bank and regional development banks to help Governments to address the social consequences of crises, in particular through the strengthening of social safety nets in developing countries, particularly for the most vulnerable groups, without losing sight of the long-term goals of development;

20. *Requests* the Secretary-General to support, *inter alia*, through collaboration with the regional commissions and regional and subregional initiatives, the ongoing work on the identification of measures that will contribute to a more stable and predictable international financial system that is responsive to the challenges of development, in particular of developing countries, and in this regard requests the Secretary-General to make available the results of those exercises to the General Assembly at its fifty-fifth session;

21. *Also requests* the Secretary-General, in close cooperation with all relevant entities of the United Nations, including the United Nations Conference on Trade and Development and the regional commissions, within their respective mandates, and in consultation with the Bretton Woods institutions, to report to the General Assembly at its fifty-fifth session on the implementation of the present resolution under the sub-item entitled "Financing of development, including net transfer of resources between developing and developed countries", with an analysis of the current trend in global financial flows and recommendations for an agenda

for a strengthened and more stable international financial system that is responsive to the priorities of growth and development, in particular of developing countries, and to the promotion of economic and social equity in the global economy;

22. *Requests* the President of the General Assembly to transmit the present resolution to the Board of Executive Directors of the World Bank and the Executive Board of the International Monetary Fund, in order to bring it to their attention as an input to their discussions on the matters addressed herein.

87th plenary meeting
22 December 1999